

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-333-C - ORDER NO. 2003-220

APRIL 3, 2003

IN RE:	Request of Farmers Telephone Cooperative,)	ORDER APPROVING
	Inc. for Approval of Revisions to its General)	TARIFF
	Subscriber Tariff to Increase Directory)	
	Assistance Charges (Tariff No. 2002-366))	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of Farmers Telephone Cooperative, Inc. (Farmers or the Coop.) for approval of revisions to its General Subscriber Service Tariff to increase its Directory Assistance (DA) charges. The request was submitted to the Commission in the form of a requested addition to the Company's General Subscriber Service Tariff, which was denominated Tariff No. 2002-366 by the Commission Staff.

Subsequent to filing, the Commission's Executive Director instructed Farmers to publish a Notice of Filing in newspapers of general circulation in the affected areas one time, and to provide proof of publication. The purpose of the Notice of Filing was to inform interested parties of Farmers' filing of tariff revisions and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Coop. provided the required proof of publication. A Petition to Intervene was received from the Consumer Advocate for the State of South Carolina (the Consumer Advocate). Pursuant to Commission Order No. 2003-55, FTC Communications, Inc. f/k/a Farmers Long Distance (FTCC) was joined as a party to this proceeding.

Accordingly, a hearing was held on March 25, 2003 at 2:30 PM in the offices of the Commission, with the Honorable Mignon Clyburn, Chairman, presiding. Farmers and FTCC were represented by William E. DuRant, Jr., Esquire. The Consumer Advocate was represented by Hana Williamson, Esquire. The Commission Staff was represented by F. David Butler, General Counsel.

Farmers and FTCC both presented the testimony of Jeffrey L. Lawrimore. Farmers also presented the testimony of F. Bradley Erwin. Neither the Consumer Advocate nor the Commission Staff presented any witnesses.

F. Bradley Erwin, Chief Marketing Officer of Farmers testified. The Coop. proposes a change from varying DA rates dependent on the type of call, to a composite rate of \$0.85 per directory assistance call. At present, Farmers permits two directory assistance calls free of charge per month for residential subscribers, plus free directory assistance calls to disabled consumers. This would not change under the Company's proposed rate increase. Erwin testified that Farmers is currently losing money in its directory assistance business. According to Erwin, the change to the single \$0.85 per directory assistance call would not materially affect costs to the subscriber, but would enable Farmers to continue to provide reliable directory assistance service at a level where it is making a reasonable return. Erwin further notes that his survey of directory assistance providers shows that retail directory assistance charges range from \$0.75 to \$1.25 for non-local directory assistance information. Erwin states his belief that a single, composite rate is proper for directory assistance services regardless of jurisdiction, in that it provides a clear picture to the consumer of what it is going to cost him to use the service. Further, the single rate eliminates market confusion, according to Erwin.

Jeffrey L. Lawrimore, Chief Financial Officer of Farmers and Treasurer of FTCC, also testified in this case. Lawrimore noted that at present, Farmers' rates for DA range from \$0.35 per call to \$0.60 per call, depending on the type of DA call made. (See Hearing Exhibit 1.) Lawrimore also asserts the reasonability of the composite rate, stating that it would simplify billing and clarify customer charges for retail directory assistance. Further, effective January 1, 2003, Farmers began to incur a composite, single rate of \$0.50 per request, which is an increase causing cost of service to increase, according to Lawrimore. He states that it is estimated that Farmers will lose \$166,380 under the currently approved rate structure and indicated that Farmer's cost would be greater if customer services and billing expenses were included. If Farmers is granted permission to increase its rates as requested, the directory assistance service will show a margin of \$183,462, according to Lawrimore, which Lawrimore believes represents a fair operating margin for Farmers.

Lawrimore also testified for FTCC, and stated his belief that the \$0.85 per request is justified and represents a fair rate to the consumer, given the wholesale rate and imbedded cost of providing retail service.

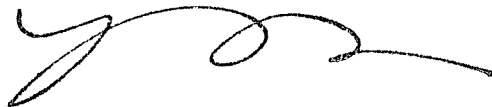
We have examined the evidence in this case and hereby approve the \$0.85 rate per directory assistance call. This rate is at the low end of the survey of directory assistance rates completed by Company witness Erwin. It is also a composite rate, unlike the Coop.'s present set of rates which are dependent on the type of DA call made. The composite rate allows simplification and clarification of customer billing. Further, rather than losing \$166,380 as it is under present DA rates, the composite \$0.85 rate will provide a reasonable margin of \$183,462.

At the close of the hearing, the Consumer Advocate moved that this Commission approve a \$0.65 rate per directory assistance call, instead of the proposed \$0.85 rate. Unfortunately, the Consumer Advocate did not present any evidence as to the resultant margin that would be provided to the Company with this rate, nor did the Consumer Advocate present any other evidence in support of its proposal. Therefore, we are unable to make a judgment one way or another about the validity of this proposed reduced rate and must reject it.

Accordingly, because of the reasoning stated above, we approve the composite rate of \$0.85 per directory assistance call for Farmers (and, therefore, we approve Tariff No. 2002-366). As we understand it, Farmers will continue to provide two free directory assistance calls per month per residential subscriber and will continue to provide free directory assistance calling for the disabled subscribers.

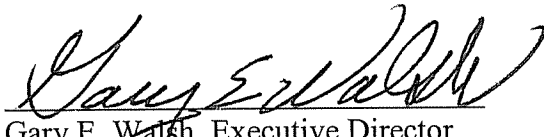
This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn, Chairman

ATTEST:



Gary E. Walsh, Executive Director
(SEAL)